

EUGENE WATER & ELECTRIC BOARD  
REGULAR SESSION  
EWEB BOARD ROOM  
JANUARY 2, 2013  
7:30 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Dick Helgeson, James Manning and Steve Mital

Others Present: Roger Gray, Debra Smith, Sheila Crawford, Todd Simmons, Mel Damewood, Roger Kline, Anne Kah, Joe Harwood, Erin Erben, Mark Freeman, Sue Fahey, Brad Taylor, Wendi Schultz-Kerns, Lena Kostopulos, Susan Eicher, Kevin Biersdorff, Felicity Fahy, Steve Mangan, Lance Robertson, Gail Murray, Charlie Walker, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 6:42 p.m., due to the Work Session ending much earlier than planned. The Board agreed to rearrange the order of agenda items so that Public Input would still occur at the public noticed time of 7:35 p.m.

**CONSENT CALENDAR**

**RATIFICATION OF BOARD CONSULTANTS FOR 2013**

1. Ratification of Board Consultants for 2013
  - 1.1 Independent and Consulting Engineers – Black & Veatch
  - 1.2 Independent Actuaries – Kenney Consulting
  - 1.3 Renewable Energy Credits (REC Legal Counsel) – Davis Wright Tremaine LLP
  - 1.4 Independent Auditor and Certified Public Accountant – Moss Adams
  - 1.5 Financial Advisor – Seattle-Northwest Securities Corporation

**RATIFICATION OF RETAINED PROFESSIONALS FOR 2013**

2. Retained Professionals and Attorneys for 2013
  - 2.1 General Counsel – Eric DeFreest, Luvaas Cobb Law Office
  - 2.2 Special Counsel and Power Risk Counsel – Cable Huston Benedict Haagensen & Lloyd
  - 2.3 Special Counsel (BPA Rate Review) Murphy & Buchal LLP
  - 2.4 Human Resources Counsel – Harrang, Long, Gary and Rudnick
  - 2.5 Bond Counsel – Mersereau and Shannon

**MINUTES**

- 3a. November 20, 2012 – Regular Session
- 3b. December 4, 2012 – Executive Session

## **CONTRACTS**

4. Baker Tilly Virchow Krause, LLP – for the implementation of EWEB's forthcoming enterprise work asset management solution (WAM) – \$351,000. Contact Person is Sheila Crawford or Roger Gray.
5. Delta Environmental Services, LLC – for wastewater treatment system consulting services at the Roosevelt Operations Center (ROC). Electric Operations & Facility Services – \$75,000 (total \$126,804). Contact Person is Todd Simmons or Debra Smith.
6. Luvaas Cobb Law – for Legal Services – General Counsel. Financial Services – \$750,000 (over five years). Contact Person is Gail Murray or Roger Gray.
7. Seattle-Northwest Securities Corporation – for Financial Advisor Services. Financial Services – \$300,000 (over five years). Contact Person is Cathy Bloom or Roger Gray.
8. WESCO Distribution – for the purchase of three-phase submersible transformers on an as needed basis. Engineering Department - \$395,000 (for five years). Contact Person is Mel Damewood or Debra Smith.

## **BUDGET AMENDMENTS**

- 9. Budget Amendment #1** – Leaburg/Waltermville Capital Expenditures – Leaburg Left Bank Fish Ladder Foundation Improvements. Contact person is Debra Smith or Mel Damewood.

## **OTHER**

10. Annual General Manager's Performance Evaluation for Year 2012

President Simpson pulled item 3A. Vice President Brown pulled item 6. Commissioner Mital pulled items 5 and 9.

Commissioner Helgeson asked if Consent Calendar items should still be pulled if a Commissioner only has a clarifying question. President Simpson stated that they should. Roger Gray, General Manager, added that in the future a Commissioner can send in his clarifying question in advance of a meeting and the answer will be provided to all Commissioners.

President Simpson added that since a staff member's name is listed for each consent calendar item, Commissioners can also contact that staff person directly by e-mail as they see fit, and cc General Manager Gray, Debra Smith, Assistant General Manager; or others on the e-mail.

A brief discussion ensued about communication regarding the Consent Calendar, who to send e-mail cc's to, etc., and General Manager Gray said he will follow up with a clarification e-mail to the Board.

It was then moved by Vice President Brown, seconded by Commissioner Helgeson, to approve the remainder of the Consent Calendar.

### **ITEMS REMOVED FROM CONSENT CALENDAR**

Regarding item 3A, President Simpson made three typographical corrections to the November 20 Board minutes.

It was then moved by President Simpson, seconded by Vice President Brown, to approve the November 20 Board minutes. The motion passed unanimously (5-0).

Regarding item #5, Commissioner Mital asked why this contract is for three years. Todd Simmons, Electric Operations and Facilities Manager, explained that an EWEB staff person is in the process of becoming certified as a wastewater operator in order to maintain the eco machine at the ROC, but it takes time to get qualified and then take the exam. He noted that work hours apply toward taking the exam, but it takes a lot longer to put in the work hours in order to qualify, and that even though some of EWEB's water operators do electric underground work, the underground work doesn't qualify them to be a wastewater operator.

Vice President Brown asked if the eco machine is up and running now, and he wondered if the certified wastewater operator left EWEB, if EWEB would have to re-contract with Delta Environmental Services or if they could contract with the Metropolitan Wastewater Management Commission (MWMC).

Mr. Simmons replied that EWEB would have to re-contract with Delta, as he doesn't believe MWMC does that type of work, just like EWEB's water operators aren't trained in wastewater operations.

Ms. Smith stated that the eco machine is working well now and that essentially a roof has been put over it, and that EWEB pays a fraction of the system development charge in order to send overflow to the City. She added that there haven't been any more problems.

Vice President Brown asked if the water at the ROC is now drinkable. Ms. Smith replied that it is.

It was then moved by Commissioner Mital, seconded by Vice President Brown, to approve item #5. The motion passed unanimously (5-0).

Regarding item #6, Vice President Brown asked what will happen if Mr. DeFreest leaves the law firm of Luvaas Cobb and there is no one left who has local utility knowledge. He voiced concern that EWEB would be locked in to the contract with the Luvaas Cobb law firm if Mr. DeFreest leaves there.

General Manager Gray replied that he shared the same concern, and that Mr. DeFreest is general counsel, but his colleagues serve on an increasing basis. He confirmed that if Mr.

Defreest leaves, EWEB is not locked in to the Luvaas Cobb law firm. Gail Murray, Purchasing Manager, also confirmed that EWEB can terminate at any time for any reason or no reason, if Mr. DeFreest should leave the firm.

It was then moved by Vice President Brown, seconded by Commissioner Helgeson, to approve item #6. The motion passed unanimously (5-0).

Regarding item #9, Commissioner Mital asked what triggered the inspection of the Leaburg fish ladder foundation and why it took so long to find such a severe problem. Mel Damewood, Engineering Manager, replied that periodic inspections are indeed done, and that this ladder was built in June of last year, but significant undermining occurred.

Roger Kline, Generation Manager, added that this particular structure isn't inspected annually, but turbidity increased the rate of erosion over time, and caused more shock to it, and because of how bad the damage was, staff was not comfortable with waiting another year to address the damage. He noted that this structure will be inspected more frequently from now on.

Ms. Smith noted that because this structure received an emergency declaration, EWEB was able to avoid a bid process. Mr. Damewood added that the fish agencies notified EWEB that construction had to be completed by April 30, but unfortunately they EWEB was not given that notification until last fall.

Commissioner Mital said that his biggest concern is the cost of this item, and he wondered if this could have been prevented.

Vice President Brown also recalled the failure of two bridges and a water line. Ms. Smith reminded the Board that a work asset management plan is currently in process.

In answer to a question from President Simpson regarding which reserve account the money for this construction will be drawn out of, Ms. Smith explained how the capital improvement reserve fund works and how funds are withdrawn and deposited.

Commissioner Helgeson also recalled the recent pattern of chevrons, tailraces and fish ladders failing (as a part of EWEB's federal relicensing requirements) and said it would be nice to know about any future issues such as these as early as possible. General Manager Gray noted that this is a good example of what Board and staff had discussed earlier in the Work Session regarding strategic planning and staff and Board discussion of issues as early as possible.

It was then moved by Vice President Brown, seconded by President Simpson, to approve item #9. The motion passed unanimously (5-0).

## **2013 ELECTION OF OFFICERS**

President Simpson noted that Board policies don't state term limits for officers but that the Commissioners hold themselves to a two-year rule. He stated that Vice President Brown and he would like to serve for another year, and that his statement would serve as an initial nomination.

President Simpson then asked for additional nominations. Commissioner Helgeson endorsed the continuation of President Simpson and Vice President Brown in their respective positions, and moved that this be the slate for 2013. There were no additional nominations.

Vice President Brown noted that the gavel is only as good as a person's ability to communicate with people, and he asked his fellow Commissioners to let him and President Simpson know if they have an issue with their communication style or anything else.

President Simpson reminded the Board that the presidential role does not give him any more decision-making power than the rest of them have, and he noted that he also assists with the development of Board agendas. He stated that it is his intention to make sure all Commissioners' voices are heard in a fair manner and that concerns are brought before the Board in a fair way. He added that he has enjoyed serving as President for the last year, and also enjoyed his prior term several years ago.

Commissioner Mital stated that he has been impressed with President Simpson's and Vice President Brown's ethics and respect in the midst of all the recent public input, and he voiced his support for President Simpson and Vice President Brown to continue in their respective offices.

Commissioner Helgeson's previous motion carried unanimously (5-0), for President Simpson and Vice President Brown to continue in their respective offices.

## **2013 APPOINTMENT OF COMMISSIONERS TO BOARD LIAISON AND COMMITTEES**

President Simpson recalled that Commissioners currently serve on the Boards of four external organizations—Lane Council of Governments (LCOG), the McKenzie Watershed Management Council, Other Post Employment Benefits (OPEB), and the Northwest Public Power Association (NWPPA).

President Simpson recommended that Vice President Brown be reappointed to the NWPPA Board of Trustees. He noted that this Board requires no alternate, and that even if a different EWEB Commissioner was appointed for that Board seat, the NWPPA would have to approve that appointment.

Vice President Brown reminded General Manager Gray that even though the cost of being on the NWPPA Board of Trustees is money well-spent, it requires a total of about one

month per year to attend the meetings and sometimes the cost of travel is very expensive depending on where the meetings are held.

General Manager Gray reaffirmed that NWPPA would have to approve any new appointment. He also explained that the General Manager representative on the NWPPA Board recently retired and that he could submit his name for that seat, but that both him and Vice President Brown could not serve on the Board at the same time. He noted that the nominations for the General Manager representative are open until the end of February. He reminded the Board that any or all of them can attend NWPPA work sessions and/or annual meetings, but that the Board had discussed not attending all of the NWPPA meetings due to the time and expense involved.

Vice President Brown confirmed that he is willing to continue on the NWPPA Board of Trustees, but clarified that some of the meetings are one week long, and that he won't be able to attend every meeting.

After a brief discussion, and with the caveat of respecting Vice President Brown's time commitment, President Simpson recommended that Vice President Brown continue on the NWPPA Board of Trustees, with the exception of the Anchorage, Alaska meeting, due to the expense involved. He also voiced support for the possibility of General Manager Gray serving in the General Manager position on the NWPPA Board of Trustees, which is being vacated due to retirement.

Commissioner Mital asked what the value is of influencing policy at the NWPPA level. General Manager Gray replied that while EWEB is too small a utility to influence Washington, D.C. or even the State on an individual basis, as part of a this group, it does have influence. He gave the example of the NWPPA Board of Trustees recently taking a position regarding the fiscal cliff and writing to Congress to adopt a debt-free financing option, and added that he feels it is important for EWEB to have either a Commissioner or the General Manager at that table. He added that the NWPPA also offers technical and policy level training, and that the Board may wish to have a representative of the NWPPA speak to them regarding how they want to function as a Board.

Commissioner Mital stated that it would make sense to him to consider Commissioner Helgeson for the NWPPA Board of Trustees due to his background as an EWEB staff member and rate manager.

Commissioner Helgeson stated that he appreciates Commissioner Mital's acknowledgement of his experience, but that he is in support of Vice President Brown continuing on the NWPPA Board of Trustees. He added that he does have interest in Bonneville Power Administration (BPA) matters and the Public Power Council (PPC) and, while the Board doesn't have a designated member in those forums, he would like to tag along with staff to some of those meetings (within boundaries) in order to maintain his knowledge and also to maintain previous relationships forged while he was on staff at EWEB, and that would satisfy his interest.

It was then moved by President Simpson, seconded by Commissioner Manning, for Vice President Brown to remain on the NWPPA Board of Trustees. The motion passed 4-1 (Brown abstained).

Vice President Brown was excused from the meeting at this time.

Susan Eicher, General Accounting & Treasury Supervisor, briefly explained what participation on the OPEB Board entails (basically fiduciary duties).

Commissioner Manning asked what the benefit is for a Commissioner to serve on this board. Ms. Eicher replied that the obvious benefit would be participating in bylaws and governance for benefits, and also gave the example of being part of the review team for changes in EWEB employee benefits.

President Simpson nominated Commissioner Manning for the OPEB Board. The nomination was approved 3-1 (Manning abstained).

President Simpson then nominated Commissioner Helgeson for the McKenzie Watershed Management Council with Vice President Brown as alternate. The nominations were approved 3-1 (Helgeson abstained).

President Simpson then voiced interest in being the primary appointee for the Lane Council of Governments Board and nominated Commissioner Manning as alternate. The nominations were unanimously approved (4-0).

Commissioner Helgeson asked for follow-up regarding the origins of these committee positions, as he would like a deeper understanding of the motivation or policy for them. President Simpson asked Taryn Johnson, Executive Assistant to the Board and General Manager, to add this to the Starboard Report.

General Manager Gray added that he will send out the current list of committees (including the discontinuation of Northwest Energy Coalition and River Partners, mostly because of budget reductions). He reminded the Board that any Commissioner is welcome to attend the PPC (Public Power Council) meetings and that he will notify them of transportation options. He noted that investor-owned utility Board members are routinely in attendance at these meetings.

## **PUBLIC INPUT**

**Sandra Bishop**, a former EWEB Commissioner, thanked the Board for the quick response from Cathy Bloom, Financial Services Manager, regarding the possibility of EWEB using a different bank than Bank of America, though she stated that she wasn't satisfied when she was told EWEB would probably wait until 2015 to consider a change. She apologized for putting the Board on a precipice, but she reiterated that the Board should take a serious look at policy implications and whether or not their banking needs are diverse enough to have a relationship with other banks. She noted that monogamy is not usually traditional with banking,

and that this would be an easy way for EWEB to get some public relations value and a better image by being good stewards and putting some public money into a local bank. She reminded the Board that many people are going to be forced out of their homes by Bank of America between now and 2015, and she asked the Board to do what they can.

**Bob Dempsey**, President/CEO of the EWEB Employees Federal Credit Union, stated that he wishes to address the relationship between EWEB and the EWEB Employees Federal Credit Union.

“This credit union began its service to EWEB’s employees 60 years ago this year. We are a no-cost employee benefit that serves only EWEB’s employees (past and present), the utility, its Commissioners, the day care center, and EWEB family members. We are serving 81% of the members of this group.

Beginning in March of last year, this longstanding relationship was significantly altered by EWEB in dealing with the nationwide financial difficulties of the utility industry. Over the course of this time, I have been working with your senior management to reestablish sufficient commitments that would allow the credit union to continue to serve you. Without them we will need to merge out of existence, and the timeline is rather short.

We are asking:

EWEB to make best efforts to include the credit union in the future plans of the utility.

EWEB to make best efforts to provide facilities for the credit union when the downtown properties are sold.

EWEB to tie the sale of the building leased by the credit union to the sale of the administration building(s).

EWEB to allow the credit union to relocate with the utility should the opportunity arise. The credit union would assume financial responsibility for the costs of the relocation.

I am here this evening to ask that the Commissioners authorize senior management to work out an agreement with the credit union supporting these commitments. I am also able and glad to say that senior management has advised me that they support these recommendations.”

**Bob Cassidy**, former EWEB Commissioner, stated that he was impressed with the vibrant discussion the Board had earlier this evening. He recalled that he has worked with families who have financial difficulties, and that one thing he tells them is that of the 47% of workers who say they always or usually live paycheck to paycheck, 21% of them make \$100,000 or more per year. He added that when customers state that they are having problems paying their bills, that is not EWEB’s fault, rather it is the customers’ mismanagement of their money.



Commissioner Manning encouraged the Board to continue to explore opportunities to invest in the local banking community in whatever way they can, as he thinks it is a good gesture. He noted that since the Board is non-partisan, its focus is on the community it represents and not any type of political entity. He agreed that rates need to be reduced in any way possible, even if that includes reducing energy education funding. He said he believes that EWEB overall is on a good path and staff is excellent.

Commissioner Helgeson stated that he supports, where appropriate, the opportunity for EWEB to invest in the local banking community, and that he would be concerned if EWEB's banking was too concentrated. He added that he will withhold any political statements about large banking organizations, but he would like to know more about where EWEB's various accounts are held and for what reason, and with what parameters.

President Simpson then polled the Board regarding a backgrounder on banking diversification. The Board voiced their desire to receive a backgrounder.

Regarding the EWEB Credit Union, Commissioner Helgeson stated that he has experienced the benefit of EWEB's relationship with the credit union for many years as former employee and now a retiree, and as a general institution that shares many public power values. He added that he doesn't have any particular solutions, but he encouraged staff and management to work with the credit union to explore opportunities to continue the relationship.

Commissioner Mital echoed Commissioner Helgeson's sentiments, and stated that even though the information regarding the credit union is new to him, it sounds like things are moving forward. He told Mr. Cassidy that he was the heart and soul of the EWEB Board when it came to paying close attention to low-income customers, and that it is easy to lose sight of that issue. He added that he valued that quality in Mr. Cassidy and Ms. Ernst and that he believes it is part of the Board's duty for customers of all income levels to have equal access to water and power.

President Simpson stated that he was a bit appalled at Mr. Cassidy's statement about high-income people living paycheck to paycheck. He said he appreciated Mr. Cassidy reminding the Board that it's not their fault that customers can't pay their bills, because sometimes he feels like it. He reminded Mr. Cassidy that he would continue to champion his idea for the local rental market to eliminate ceiling heat and insulate facilities that has previously been difficult to attain, and will push staff forward.

President Simpson apologized to Ms. Bishop for not introducing her as a former EWEB Commissioner, and thanked her for being tolerant of time shifts in Board agendas. He also thanked her for her perseverance regarding EWEB's banking opportunities.

Regarding the EWEB Credit Union, President Simpson said he has long supported credit unions, as they share the same values of public power, which dovetails to Mr. Dempsey's testimony. He added that he wasn't aware of the issues Mr. Dempsey brought forth, and that he hadn't thought about making sure the credit union is kept in the fold, and that he is glad to hear that Mr. Dempsey is working with staff and that staff is in support of his requests. He said he

would like to learn more about what Mr. Dempsey meant by “going out” into the community, and he wondered if that meant to try to get more members.

Commissioner Mital asked if it is appropriate to shape the banking backgrounder a bit more, i.e., if specific questions can be asked.

General Manager Gray replied that he had heard that the Board wanted a deeper understanding of where EWEB’s banking is today and to provide some additional options, and that he assumed that meant that the Board wanted to hear options for different banks.

Commissioner Helgeson said that he would like to hear about any restrictions or regulations, self-imposed or otherwise, that exist regarding how to make these choices.

President Simpson said it is his goal to keep money circulating in the community, and that he will not rule out a credit union or any commercial bank, as long as it is local. He said he would like to hear what options there are to make that a reality and, if EWEB is restricted, why they are restricted. He added that he understands that some local facilities can’t perform certain functions but that even if EWEB went with a bank in Portland that would be better than going national.

Commissioner Mital asked if it would possible for the Board to e-mail their questions to staff within a 48-hour period and then come to an agreement on what the backgrounder would entail.

Debra Smith, Assistant General Manager, replied that Sue Fahey, Fiscal Services Manager, can receive the list of questions in the next couple of days and will make sure they are incorporated into the backgrounder.

General Manager Gray reminded the Board that this starboard item will require more than a 48-hour turnaround time. President Simpson replied that he didn’t consider this an emergency item and that staff can return with their input in February or March.

## **ITEMS FROM BOARD MEMBERS**

Commissioner Helgeson recalled the solar installation customer who testified in December regarding his concern about the reduction in reimbursement for solar power. He said that he had met with him to see his installation and get a sense of his concern, and that he believes it is always helpful if Board and staff can do that kind of follow-up. He added that he had also learned that solar systems are still very expensive and that by the time the rebates kick in, about 90% of the system is paid for up front but, even so, the period of time for payback was on the order of 10 years for out of pocket costs. He noted that after hearing the customer’s story, he doesn’t think EWEB’s reimbursement rate is problematic.

President Simpson noted that Commissioners Manning and Mital need to review EWEB Bylaws Article 8, Section 2, within the first three months after being sworn in. He asked them to

go to the EWEB website and read them, and then a discussion can be held at the February 5 meeting regarding any proposed amendments, and that working committees can be formed if necessary.

President Simpson then noted that EWEB Bylaws Article 9, Section 2, requires Commissioners to attend all meetings (including work sessions), and he asked that any Commissioner who cannot attend a meeting or will be arriving late notify him or Taryn Johnson, Executive Assistant to the Board/General Manager. He added that they can notify her by text if it's last-minute.

President Simpson asked if there is Board interest to direct staff to prepare a neighborhood meeting schedule for 2013. The Board indicated their interest. President Simpson asked the public relations staff to prepare a schedule including location, contact information, and suggested topics to discuss.

President Simpson reminded the Board that the State of the City Address will occur on Wednesday, January 9 at 5:30 p.m. at the Hult Center, and that this presents an opportunity for the new Commissioners to have a ceremonial swearing-in ceremony, along with City Councilors, which provides more public exposure for EWEB and a communication connection.

Ms. Johnson asked the Commissioners to let her know how many guests will attend.

Commissioner Manning stated that this would be a nice thing for EWEB to participate in, and would also show EWEB's commitment to transparency.

Commissioner Helgeson said that he believes whatever one Commissioner does, they should all do, and that he would be happy to participate if all three new Commissioners can participate.

President Simpson stated that he will attend as an audience member and will also invite EWEB staff.

President Simpson summarized tonight's suggestions regarding Board meetings:

- Relocate the beverage station at Board meetings
- Commissioners need to speak directly into the microphone
- Take advantage of Starboard Report for assuring questions and answers, and can ask for more in-depth backgrounders as required (will sometimes do a quick poll). If it's a low-level issue, can be done by e-mail.
- Black hole concern – include Ms. Johnson on Correspondence, as she keeps a tally of all inquiries
- Post the 2013 budget on the Commissioner information web page

Commissioner Manning thanked EWEB staff and appreciated Mr. Cassidy and Ms. Bishop for their feedback and their support of the Board, and their everlasting legacy. He also

thanked the Board for the opportunity to serve, and added that it appears to be an active, result-oriented Board that he is proud to be a part of, one in which it will be easy to reach consensus, with a similar mindset that it is not about them, but about the customers.

## **CORRESPONDENCE AND BOARD AGENDAS**

General Manager Gray noted that the Board had received the annual compliance report from the auditors and that staff can follow up on it if necessary. He added that some procedures need to be improved (documentation issues) and that EWEB had failed to dot I's and cross T's on two items.

General Manager Gray then noted that the Board has also received a list of all meeting dates, including ones that are tentative. He reminded them that EWEB policy and bylaws do not require two meetings per month but, given what EWEB is facing, he recommends putting the second meeting date on their calendars. He noted that there is not a sufficient amount of agenda items to require a January 15 meeting, but that after that there is a high likelihood of a second meeting every month. He added that the Consent Calendar will always be presented at the first meeting of the month.

Ms. Johnson confirmed that the trip to the Capitol will be on Tuesday, February 12 and that there are options for carpooling, leaving EWEB at 6:35 a.m. and returning at 5:15 p.m.

President Simpson noted that the December 18 agenda listed three backgrounders but that he didn't see them in the current Board packet. Ms. Johnson replied that they are scheduled for the March 5 meeting.

Commissioner Helgeson asked if the load-related changes he had given feedback on previously is one of the backgrounders scheduled for March 5. Ms. Erben replied that it is. General Manager Gray added that Ms. Ernst had previously referred to it as a "data center" item but staff has made it more comprehensive than that.

President Simpson adjourned the Regular Session at 8:26 p.m. and wished everyone a Happy New Year.

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Assistant Secretary

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President